

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

Meeting of Tuesday, May 15, 2007 -- 9:30 A. M.

Governor's Conference Room, Wade Hampton Building

REGULAR SESSION AGENDA INDEX

Item

No.

Agency

Subject

A. ADOPTION OF PROPOSED AGENDA

B. REGULAR SESSION

- | | | |
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| 1. | Tobacco Settlement Revenue
Management Authority | Resolution to Approve the Fifth Supplement to
the Intergovernmental Agreement for the
Healthcare Tobacco Settlement Trust Fund |
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C. ADJOURNMENT

TOBACCO SETTLEMENT

REVENUE MANAGEMENT AUTHORITY

MEETING OF May 15, 2007

REGULAR SESSION

ITEM NUMBER 1

AGENCY: Tobacco Settlement Revenue Management Authority

SUBJECT: Resolution to Approve the Fifth Supplement to the Intergovernmental Agreement for the Healthcare Tobacco Settlement Trust Fund

The Authority is asked to adopt a resolution approving the Fifth Supplement to the Intergovernmental Agreement for the Healthcare Tobacco Settlement Trust Fund. The amendment contemplated by the resolution is necessitated by the General Assembly's appropriation of amounts from the Unrestricted Principal Account of the Healthcare Tobacco Settlement Trust Fund, and must be affected prior to payment of any amounts out of that trust fund.

The Authority is asked to amend the original agreement to permit the State Treasurer and Comptroller General to affect the expenditures provided by the 2006-07 Appropriation from proceeds of the 2001A Bonds on deposit in the Unrestricted Principal Account of the Healthcare Tobacco Settlement Trust Funds and approve the form and execution of the Fifth Supplement.

AUTHORITY ACTION REQUESTED:

Adopt a resolution approving the Fifth Supplement to the Intergovernmental Agreement for the Healthcare Tobacco Settlement Trust Fund to i) amend the original agreement (Healthcare Tobacco Settlement Trust Fund) to permit the State Treasurer and Comptroller General to affect the expenditures provided by the 2006-07 Appropriation from proceeds of the 2001A Bonds on deposit in the Unrestricted Principal Account of the Healthcare Tobacco Settlement Trust Funds and ii) approve the form and execution of the Fifth Supplement.

ATTACHMENTS:

Ravenel 5/1/07 letter with resolution attached

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY
COLUMBIA, SOUTH CAROLINA

MARK SANFORD, CHAIRMAN
THOMAS RAVENEL
RICHARD ECKSTROM
HUGH K. LEATHERMAN, SR.
DANIEL T. COOPER

THOMAS RAVENEL
AUTHORITY TREASURER
POST OFFICE BOX 11778
COLUMBIA, SOUTH CAROLINA 29211
(803) 734-2101

May 1, 2007

Mr. Delbert Singleton
Secretary
Tobacco Settlement Revenue Management Authority
601 Wade Hampton Office Building
Columbia, South Carolina 29201

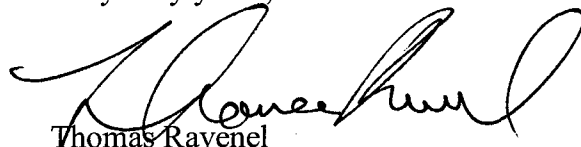
Dear Mr. Singleton:

Enclosed for consideration by the Tobacco Settlement Revenue Management Authority (the "Authority") is a resolution to approve the Fifth Supplement to the Intergovernmental Agreement for the Healthcare Tobacco Settlement Trust Fund. The amendment contemplated by the resolution is necessitated by the General Assembly's appropriation of amounts from the Unrestricted Principal Account of the Healthcare Tobacco Settlement Trust Fund, and must be effected prior to payment of any amounts out of that trust fund.

The Authority is asked to i) amend the original agreement to permit the Treasurer and Comptroller General to effect the expenditures provided by the 2006-07 Appropriation from proceeds of the 2001A Bonds on deposit in the Unrestricted Principal Account of the Healthcare Tobacco Settlement Trust Funds and ii) approve the form and execution of the Fifth Supplement.

Thank you for your assistance.

Very truly yours,



Thomas Ravenel
Authority Treasurer

Enclosures

A RESOLUTION APPROVING THE FIFTH SUPPLEMENT TO THE INTERGOVERNMENTAL
AGREEMENT (HEALTHCARE TOBACCO SETTLEMENT TRUST FUND)

WHEREAS, the Tobacco Settlement Revenue Management Authority (the "Authority") was created as a public body corporate and politic and an instrumentality of the State of South Carolina (the "State") pursuant to the provisions of Chapter 49 of Title 11, South Carolina Code of Laws of 1976, as amended (the "Enabling Act"); and

WHEREAS, pursuant to the authorizations contained in the Enabling Act, the Authority issued its Tobacco Settlement Asset-Backed Bonds, \$200,000,000 Series 2001A (Taxable) (the "Series 2001A Bonds") and \$734,530,000 Series 2001B (Tax-Exempt) (the "Series 2001B Bonds" and with the Series 2001A Bonds, the "Bonds"); and

WHEREAS, in connection with the issuance of the Bonds, the Authority, the State Treasurer of the State of South Carolina (the "Treasurer"), a constitutional officer serving under the Constitution and Laws of the State, the Comptroller General of the State of South Carolina (the "Comptroller"), a constitutional officer serving under the Constitution and Laws of the State and the United States Trust Company of New York, predecessor in trust to the Bank of New York as Trustee (the "Trustee"), entered into that certain Intergovernmental Agreement (Healthcare Tobacco Settlement Trust Fund) dated as of March 22, 2001 (the "Original Agreement"); and

WHEREAS, in accordance with the Arbitrage and Tax Compliance Certificate of the Authority dated the date of delivery of the Bonds (the "Tax Certificate"), a portion of the proceeds of the 2001A Bonds was deposited into the Unrestricted Principal Account of the Healthcare Tobacco Settlement Trust Fund created pursuant to the Original Agreement and the provisions of Part B of the Act No. 387 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 2000, now codified as Article 1, Chapter 11, Title 11 of the South Carolina Code of Laws, 1976 (the "Original Expenditure Act"); and

WHEREAS, Section III(b) of the Original Agreement provided that the proceeds of the Bonds deposited into the Healthcare Tobacco Settlement Trust Fund and the interest earned thereon shall be used solely as provided in the Original Expenditure Act and as otherwise provided in the Original Agreement; and

WHEREAS, the Original Agreement also provided that no alternative use of such monies may be made, pursuant to an amendment to the Original Expenditure Act or otherwise, unless the Authority and the Trustee have previously received a written opinion of a firm of attorneys, with such experience in the federal taxation of municipal obligations as is acceptable to the Authority and the Trustee in their discretion, to the effect that such alternative proposed use of the Bond proceeds would not adversely affect the exclusion from gross income of interest payable to the registered owners of the Series 2001B Bonds for federal income tax purposes; and

WHEREAS, the General Assembly enacted Section 73.8 of Part 1B of Act No. 397 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 2006 (the "2006 Amendment") which provided, among other things, that \$8,000,000 shall be

appropriated from the Unrestricted Principal Account of the Healthcare Tobacco Settlement Trust Fund and used as provided in such 2006 Amendment (the "2006-2007 Appropriation"); and

WHEREAS, the Authority and the Trustee have received a written opinion of a firm of attorneys, with experience in the federal taxation of municipal obligations acceptable to them, to the effect that the payment of the 2006-2007 Appropriation from the Unrestricted Principal Account of the Healthcare Tobacco Settlement Trust Fund will not adversely affect the exclusion from gross income interest payable to the registered owners of the Series 2001B Bonds for federal income tax purposes.

NOW, THEREFORE, BE IT RESOLVED BY THE TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY, In Meeting Duly Assembled:

Section 1. The Original Agreement as previously supplemented and amended shall further be amended to permit the Treasurer and the Comptroller to effect the expenditures provided by the 2006-2007 Appropriation from the amounts on deposit in the Unrestricted Principal Account of the Healthcare Tobacco Settlement Trust Fund.

Section 2. The form of the Fifth Supplement to the Intergovernmental Agreement (Healthcare Tobacco Settlement Trust Fund) attached hereto as Exhibit A is hereby approved and the Treasurer of the Authority is hereby authorized to execute such Fifth Supplement on behalf of the Authority with such changes to this form as he deems necessary and appropriate.

Exhibit A

FIFTH SUPPLEMENT TO INTERGOVERNMENTAL AGREEMENT

(HEALTHCARE TOBACCO SETTLEMENT TRUST FUND)

THIS FIFTH SUPPLEMENT TO INTERGOVERNMENTAL AGREEMENT (this "Fifth Supplement") is entered into as of May 15, 2007, by and among the Tobacco Settlement Revenue Management Authority (the "Authority"), a public body corporate and politic and an instrumentality of the State of South Carolina (the "State"), the State Treasurer of the State of South Carolina (the "Treasurer"), a constitutional officer serving under the Constitution and Laws of the State, the Comptroller General of the State of South Carolina (the "Comptroller"), a constitutional officer serving under the Constitution and Laws of the State, and The Bank of New York, as successor trustee to United States Trust Company of New York, as Trustee (the "Trustee"), for the purpose of supplementing that certain Intergovernmental Agreement (Healthcare Tobacco Settlement Trust Fund) dated as of March 22, 2001 (the "Original Agreement") among the parties to this Supplement.

WHEREAS, the Original Agreement was executed in connection with the issuance by the Authority of its Tobacco Settlement Asset-Backed Bonds, \$200,000,000 Series 2001A (Taxable) (the "Series 2001A Bonds") and \$734,530,000 Series 2001B (Tax-Exempt) (the "Series 2001B Bonds") issued by the Authority; and

WHEREAS, the Original Agreement restricted the use of certain of the proceeds of the Series 2001A Bonds and the Series 2001B Bonds (together, the "Bonds") to the uses permitted by the provisions of Part B of Act No. 387 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 2000, as amended (the "Original Expenditure Act"); and

WHEREAS, in accordance with the Arbitrage and Tax Compliance Certificate of the Authority dated the date of delivery of the Bonds (the "Tax Certificate") a portion of the proceeds of the 2001A Bonds was deposited into the Unrestricted Principal Account of the Healthcare Tobacco Settlement Trust Fund created pursuant to the Original Agreement and the Original Expenditure Act; and

WHEREAS, the Original Agreement provides that certain amounts will be transferred from time to time from the Restricted Account to the Unrestricted Principal Account; and

WHEREAS, Section III(b) of the Original Agreement provided that the proceeds of the Bonds deposited into the Healthcare Tobacco Settlement Trust Fund and the interest earned thereon shall be used solely as provided in the Original Expenditure Act and as otherwise provided in the Original Agreement; and

WHEREAS, the Original Agreement also provided that no alternative use of such monies may be made, pursuant to an amendment to the Original Expenditure Act or otherwise, unless the Authority and the Trustee have previously received a written opinion of a firm of attorneys, with

such experience in the federal taxation of municipal obligations as is acceptable to the Authority and the Trustee in their discretion, to the effect that such alternative proposed use of the Bond proceeds would not adversely affect the exclusion from gross income of interest payable to the registered owners of the Series 2001B Bonds for federal income tax purposes; and

WHEREAS, pursuant to Section III.(a) of the Original Agreement the Treasurer engaged Bond Logistix, LLC, an expert in allocation and accounting of the proceeds of tax exempt obligations (the "Computation Consultant"); and

WHEREAS, the Computation Consultant delivered to the Treasurer its reports dated November 15, 2002, May 15, 2003, November 15, 2003, May 15, 2004, November 15, 2004, May 15, 2005, November 15, 2005, May 15, 2006, and November 15, 2006 (collectively, the "Reports") as part of its universal cap analysis pursuant to Section 1.148-6 of the Treasury Regulations that an aggregate amount not to exceed \$43,715,678.28 of the investments in the Restricted Account of the Healthcare Tobacco Settlement Trust Fund has been de-allocated from the Series 2001B Bonds since their date of issue; and

WHEREAS, in reliance on the Reports, the Treasurer in accordance with Section III.(a) of the Original Agreement transferred an aggregate of \$43,715,678.28 from the Restricted Account of the Healthcare Tobacco Settlement Trust Fund to the Unrestricted Principal Account of the Healthcare Tobacco Settlement Trust Fund; and

WHEREAS, pursuant to previous amendments to the Original Expenditure Act and supplements to the Original Agreement, and in accordance with prior appropriations by the General Assembly, an aggregate of \$128,839,936.00 (consisting of all the original principal amount of the Series 2001A Bonds, earnings on such principal amount plus the amounts transferred to the Unrestricted Principal Account in accordance with the Reports) has been expended from the Unrestricted Principal Account of the Healthcare Tobacco Settlement Trust Fund; and

WHEREAS, the General Assembly enacted Section 73.8 of Part 1B of Act No. 397 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 2006 (the "2006 Amendment") which provided, among other things, that \$8,000,000.00 shall be appropriated from the Unrestricted Principal Account of the Healthcare Tobacco Settlement Trust Fund, being the amount transferred in compliance with the Reports, to be used as provided in such 2006 Amendment (the "2006-2007 Appropriation"); and

WHEREAS, the Authority and the Trustee have received a written opinion of a firm of attorneys, with experience in the federal taxation of municipal obligations acceptable to them, to the effect that the payment of 2006-2007 Appropriation from the Unrestricted Principal Account of the Healthcare Tobacco Settlement Trust Fund will not adversely affect the exclusion from gross income of interest payable to the registered owners of the Series 2001B Bonds for federal income tax purposes; and

WHEREAS, the parties to this Fifth Supplement agree to further amend the Original Agreement to permit the disbursement of funds from the Unrestricted Principal Account of the Healthcare Tobacco Settlement Trust Fund as provided in the 2006-2007 Appropriation;

NOW, THEREFORE, the Original Agreement as heretofore supplemented and amended is hereby further amended pursuant to this Fifth Supplement to permit the Treasurer and the Comptroller to effect the expenditures provided by the 2006-2007 Appropriation from the amounts on deposit in the Unrestricted Principal Account of the Healthcare Tobacco Settlement Trust Fund. Except as otherwise expressly amended or modified by this Fifth Supplement, the Original Agreement as previously supplemented and amended continues in full force and effect and is ratified as of the date hereof.

IN WITNESS WHEREOF the parties have hereunto set their names and seals as of the day first above mentioned.

[SIGNATURES FOLLOW]

TOBACCO SETTLEMENT REVENUE
MANAGEMENT AUTHORITY

By: _____
Thomas J.J. Ravenel, Treasurer

OFFICE OF THE STATE TREASURER OF
THE STATE OF SOUTH CAROLINA

By: _____
Thomas J.J. Ravenel, Treasurer

OFFICE OF THE COMPTROLLER GENERAL
OF THE STATE OF SOUTH CAROLINA

By: _____
Richard Eckstrom, Comptroller General

THE BANK OF NEW YORK, as Trustee

By: _____
Authorized Officer

South Carolina General Assembly
116th Session, 2005-2006

H. 4810
General Appropriations Bill for fiscal year 2006-2007
As Enacted by the General Assembly

PART IB
OPERATION OF STATE GOVERNMENT
SECTION 73 - X91 - STATEWIDE REVENUE

73.8. (SR: Tobacco Settlement) Notwithstanding any other provision of law, and contingent upon the approval of the Tobacco Settlement Revenue Management Authority and parties to the trust agreement, the State Treasurer shall transfer an amount equal to \$8,000,000 from the unrestricted taxable proceeds portion of the principal of the Healthcare Tobacco Settlement Trust Fund established pursuant to Section 11-11-170(B)(1) of the 1976 Code to the Department of Health and Human Services to be expended for Medicaid. The State Treasurer is authorized and directed to transfer \$425,000 to the Office of the Attorney General from the Operating Contingency Account of the Tobacco Settlement Management Authority for the further enforcement of Chapter 47 of Title 11, The Tobacco Escrow Fund Act, which will protect the payments to the State under the Master Settlement Agreement.